Seattle
Office of Housing

Memo

Date: November 18, 2019

To: Office of Housing 2019 Multifamily NOFA Advisory Committee

From: Emily Alvarado, Director
Laurie Olson, Lending Manager

Subject: Mt. Zion Housing Development/Mt. Zion at 19th.

Mt. Zion Housing Development is proposing to redevelop an existing occupied fourplex (Price Arms) into a 62-unit new construction building in the Central Area. Price Arms has been owned by Mt. Zion Housing Development since 1987 serving households at 30% and 50% of AMI. Mt. Zion Housing Development is affiliated with Mount Zion Baptist Church, an African American church founded in the Central Area of Seattle in 1890. According to Office of Housing (OH) Asset Management Price Arms has passed its useful life and Mt. Zion Housing Development would like to redevelop it into senior housing for household ages 55 and above. Mt. Zion also owns one additional building, the McKinney Manor which is 64 units serving seniors adjacent to Price Arms. Mt. Zion envisions the subject project would share programming for seniors between the two properties.

The proposed project includes 62 units, 12 studios and 50 1-bedroom units. Additionally, Mt. Zion is proposing to include 4 residential underground parking spaces, senior service space, and several daylight basement units. This project would be Mt. Zion's first new construction project since 1996 and first tax-credit project. Centerra Alliance is the development consultant for Mt. Zion. We are unaware of Centerra Alliance's tax-credit experience but believe it to be minimal. The total development cost of this project is $18,394,680 with a total public funder ask of $5, 665,000 ($725,000 from Housing Trust Fund; $2,715,000 from Office of Housing; $2,225,000 from King County). OH, appreciates the basis of this project, specifically supporting the development of new construction in the Central Area for seniors by a community stakeholder. Based upon review of the project application there are several areas of opportunity that could make this a stronger project and suitable for recommendation of funding in a future funding round.

Reasons for not recommending this project at this time include:

- ***Leveraging Public Funds***
    - The application as proposed includes a combined $2,950,000 request from the State Housing Trust Fund and King County. However, Centerra Alliance did not submit the funding application to King County by the submission deadline thus losing the opportunity for King County funding. This caused the State Housing Trust Fund to deem the application incomplete and not fully funded leading them to be unable to review and fund the project this year. If OH funded the project this round it would mean moving forward without more than 50% of the requested public funds which would require that amount to be filled by OH.

- ***Financial Capacity:***
    - Mt. Zion Housing Development is a small non-profit housing entity with minimal financial capacity. The project applicant was requested to provide financials as part of the application review, however OH has only received financial information regarding McKinney Manor and Price Arms. According to Centerra Alliance, Mt. Zion Housing Development "does not have any financial statements for the organization as a whole." OH is working to reconcile this and obtain a clear understanding of Mt. Zion's financial capacity. Based on the financial analysis of the buildings presented there are areas of concern. For example, McKinney Manor shows liabilities trending approximately $1.7 million over assets for the past three years. (See chart attached). The second area for potential project strengthening is the ability of financial guaranties. The development team has expressed some concern from investors over the lack of ability of Mt. Zion to financial guaranty a project. If Mt. Zion is unable to secure a construction guaranty it would be challenging to get this project to a closing in a timely manner.
- **Development Capacity**
    - As mentioned above, OH is not aware of any recent tax credit experience of Centerra Alliance. It is OH's understanding that there are many more projects pursuing tax credits in the upcoming funding cycles than in previous years. For OH, this has led to a heightened awareness of a project's ability to score and proceed to loan closing as soon as possible. While this project appears to have the ability to score well, the financial capacity of Mt. Zion as described earlier might impede a timely closing. During our application review several meetings with other public funders (Housing Trust Fund and King County) that yielded concern around Centerra's ability to usher a project through the tax credit process and get to a successful closing based on the result of this funding round and previous project experience. Based on Mt. Zion Housing Development being relatively new to new construction and the tax credit process they could benefit from a development consultant that has recent development experience and potentially financial capacity to help this project succeed. OH has recent experience with Centerra on a non-tax credit deal and has found the consultant to be challenged in getting draws completed and keeping the scope well defined.

While OH is deeply concerned with displacement occurring in the Central Area, more time would benefit this project. OH is committed to working with Mt. Zion Housing Development over the next year.

Price Arms Financial Statement

Comparison of Key Factors w/ Prior Year	Audited 2018	Audited 2017	Audited 2016	
Total Revenues	$36,190	$36,510	$64,027	
Total Op. Expenses	$37,383	$36,436	$32,714	
Depreciation	$11,952	$11,952	$11,950	
Excess of Rev. over Exp. Less Deprec.	$10,759	$12,026	$43,263	
Total Cash & A/R	$26,617	$28,623	$58,632	
Total Assets	$246,464	$249,576	$250,772	
Total Liabilities	$183,042	$184,963	$186,601	
Net Assets	$63,422	$64,613	$64,171	
Starting Net Assets	$64,613	$64,171	$0	
Ending Net Assets	$63,422	$64,613	$64,171	
Financial Ratios	**Audited 2018**	**Audited 2017**	**Audited 2016**	**Standard**
Current Ratio	50.27	22.41	37.93	> 1.2
Working Capital	$91,738	$80,979	$72,055	Positive
Days Cash	371	427	1027	> 90 days
Receivable Turnover (x/yr)	91	333	585	> 4 times
Avg. Collection Period (days)	4	1	1	< 90 days
Long-term Debt to Net Assets	0.00	2.80	2.88	< 5.0

McKinney Manor

Comparison of Key Factors w/ Prior Year	Audited 2017	Audited 2016	Audited 2015	
Total Revenues	593,189	585,096	561,057	
Total Op. Expenses	656,766	610,029	605,256	
Depreciation	185,076	181,558	180,382	
Excess of Rev. over Exp. Less Deprec.	121,499	156,625	136,183	
Total Cash & A/R	155,081	157,847	165,152	
Total Assets	4,902,719	5,036,188	5,219,319	
Total Liabilities	6,677,762	6,747,654	6,905,852	
Net Assets	(1,775,043)	(1,711,466)	(1,686,533)	
Starting Net Assets	(1,711,466)	(1,686,533)		
Ending Net Assets	(1,775,043)	(1,711,466)	(1,686,533)	
Financial Ratios	**Audited 2017**	**Audited 2016**	**Audited 2015**	**Standard**
Current Ratio	#DIV/0!	#DIV/0!	#DIV/0!	> 1.2
Working Capital	$0	$0	$0	Positive
Days Cash	115	132	135	> 90 days
Receivable Turnover (x/yr)	133	104	65	> 4 times
Avg. Collection Period (days)	3	4	6	< 90 days
Long-term Debt to Net Assets	0.00	0.00	0.00	< 5.0